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December 28, 1960

Synopsis of State and Intelligence material reported to the President

LAOS

There is little further word on the military situation in Laos except that the Communists continue to supply Kong Le's forces with parachute drops. The firing on the U.S. plane was reported in the press today although our official reports indicate that most, of not all, the firing came from the ground rather than from the Soviet aircraft.

The big issue at present seems to be the status of the two governments. Souvanna Phouma is presently in Phnom Penh where Sihanouk has just returned from a visit to bloc countries, issuing statements in their praise. Souvanna has refused to resign as Prime Minister of the Laotian government, and the Soviets are encouraging him to their utmost in maintaining this position. The UK and the French take a dim view of Phoumi and hold that his right wing group has insufficient support among the people to ever restore order to Laos. The British apparently are willing to accept NLHX representation in the government in order to avoid more military action. It has been proposed that Souvanna might be induced to accept a spot as Ambassador to Paris. Meanwhile, he has been invited to both Sam Neua and to Luang Prabang. He shows no inclination to go to either of these places.

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The position of the Phoumi government itself is not so strong as it could be. There has been no meeting of the assembly to vote Boun Oum back into power. Indeed, it appears that Phoumi has little interest in constitutional processes; he seems inclined toward establishing a military dictatorship. His brother-in-law Sarit in Thailand has sent him a message urging him to revert to constitutional processes as soon as possible. In the meantime, it has been proposed that the king hold a meeting of foreign diplomats in Luang Prabang and take the opportunity to introduce his provisional government with its ministers.

The Soviet government has formally requested British support for reactivating the ICC. The Indians have mentioned reactivating this body also. We dislike this idea because of the all-inclusive nature of the ICC mandate and the fact that the Poles may have undue influence in the body. The Canadians have assured us that between themselves and the Indians they could prevent domination by the Poles. We have brought up the idea of

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convening the ICC for the limited purpose of making known the extent of Communist support for Kong Le. However, the Embassy in New Delhi assures us that the Indians will never agree to this.

Meanwhile, the State Department has informed diplomatic posts that the feature most to be emphasized in this entire business is the extent of Communist aid to Kong Le. Parenthetically, it appears that the shooting of the U.S. plane today may help to dramatize this fact.

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BURMA

The [redacted] Staff has confirmed the existence of a Sino-Burmese agreement authorizing troops of both countries to operate against Chinese Nationalist irregulars up to 15 miles on either side of the border.

COMMUNIST CHINA

Communist shelling of the off-shore islands has almost completely ceased for the past month. The heaviest shelling occurred on November 27 with 33 propaganda rounds. By contrast, the ChiNats have increased the number of HE shells fired against the mainland since mid-November.

SAUDI ARABIA

King Saud reassumed personal control of the government on December 21. He has appointed a fairly liberal cabinet and hopes to convey the impression that he will sponsor a reformist government.

USSR

A brief TASS summary of the 1961 Soviet budget announced on December 21 indicates that planned revenues and expenditures will continue to increase. The defense category in the budget, "expenditures for maintenance of the armed services," shows a 3.6 percent decrease from 1960; however, expenditures for items such as research and development and atomic weapons are concealed in other budget categories. Appropriations for science will increase by 15.6 percent.

GERMANY

The economic pressure on East Germany as a result of the cancellation of the IZT agreement seemed to have been strong. A protocol was drawn up and nearly signed on December 22, which resulted in some concessions on the part of the East Germans. At the last meeting, the East Germans